

RESOLUTION NO. 2018-

RESOLUTION BY THE CITY OF LEAGUE CITY, TEXAS (“CITY”) DENYING TEXAS-NEW MEXICO POWER COMPANY’S PROPOSED RATE INCREASE IN CONNECTION WITH ITS STATEMENT OF INTENT SUBMITTED ON ABOUT ON MAY 30, 2018; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT

WHEREAS, Texas-New Mexico Power Company (“TNMP” or “Company”) filed a Statement of Intent with the City on or about May 30, 2018, to change its rate schedules within the corporate limits of this municipality, specifically to increase its annual revenue by approximately \$33.3 million, which equates to an increase of approximately 10.9 percent; and

WHEREAS, in order to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating TNMP’s rate request and its changes in tariffs it is the City coordinated its efforts with a coalition of similarly situated municipalities; and

WHEREAS, TNMP asserts that the need for its increase in rates is driven primarily by its capital investment and increases in its costs since its last rate case; and

WHEREAS, for a Residential customer using 1,000 kWh per month, if TNMP’s proposed increase is approved, the bill impact to that Residential customer would be an increase to TNMP’s portion of that customer’s bill of approximately 30%; and

WHEREAS, TNMP seeks a Return on Equity (ROE) of 10.5%; and

WHEREAS, after evaluation of TNMP’s proposed increase in rates, the City’s Special Counsel and consultants engaged to evaluate the merits of TNMP’s proposed increase in rates are of the opinion that TNMP failed to establish the reasonableness of its request;

WHEREAS, if approved TNMP’s proposed increase in rates would result in an unreasonable return and in the recovery of unreasonable or unnecessary expenses; and

WHEREAS, TNMP failed to establish that its proposed increase in rates would be just and reasonable; and

WHEREAS, the City is a regulatory authority under the Public Utility Regulatory Act (“PURA”) and under Chapter 33, §33.001 et seq. of PURA has exclusive original jurisdiction over TNMP’s rates, operations, and services within the municipality; and

WHEREAS, the City previously acted to suspend TNMP’s proposed effective date of July 5, 2018 by 90 days or until October 3, 2018.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LEAGUE CITY, TEXAS THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. The City hereby **DENIES** TNMP’s request to increase rates and in support thereof finds that:

- a) The Statement of Intent fails to provide sufficient information to justify the requested increase in revenue or to justify the changes set forth in the attached tariffs; and
- b) The Statement of Intent fails to provide sufficient information to justify the adoption of the rate base, expenses, investment, return on equity, and other rate issues.

Section 3. The City hereby directs TNMP to reimburse the City’s expenses as part of the Alliance of TNMP Municipalities (“ATM”) in accordance with Public Utility Regulatory Act §33.023.

Section 4. A copy of this resolution shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 816 Congress Ave., Suite 950, Austin, Texas 78701, and a courtesy copy to TNMP’s local representative.

Section 5. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. The findings set out in the preamble are in all things hereby approved.

Section 7. This resolution shall become effective from and after its passage.

Section 8. This resolution supersedes all prior conflicting resolutions and ordinances adopted by the City.

PASSED AND APPROVED this _____ day of _____, 2018.

PAT HALLISEY
Mayor

ATTEST:

DIANA STAPP
City Secretary

APPROVED AS TO FORM:

NGHIEM V. DOAN
City Attorney